

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

## **An Act To Rebalance Maine's Tax Code**

**Be it enacted by the People of the State of Maine as follows:**

### **PART A**

**Sec. A-1. 36 MRSA §5219-N, sub-§1**, as amended by PL 2003, c. 390, §48, is repealed and the following enacted in its place:

**1. Generally.** Except as provided in subsection 2, an individual in a category described in this subsection is allowed a credit equal to the tax otherwise imposed on that individual by this Part. In no case may this credit reduce the Maine income tax to less than zero. An individual qualifies for the credit described in this section if:

A. The individual is filing as a single individual or is married and filing separately and the individual's Maine taxable income determined as if the individual were a resident individual for the entire year is \$4,000 or less;

B. The individual is filing a return as a head of household and the taxable income on the return determined as if the individual were a resident individual for the entire year is \$6,000 or less; or

C. The individual is filing a married joint return and the taxable income on the return determined as if the individuals were resident individuals for the entire year is \$8,000 or less.

**Sec. A-2. Application.** This Part applies to tax years beginning on or after January 1, 2008.

### **PART B**

**Sec. B-1. 36 MRSA §5124-A, first ¶**, as amended by PL 2005, c. 12, Pt. P, §5, is further amended to read:

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, except that for tax years beginning after 2002 but before 2008, the Code, Section 63(c)(2) must be applied as if the basic standard deduction is \$5,000 in the case of a joint return and a surviving spouse and \$2,500 in the case of a married individual filing a separate return.

### **PART C**

**Sec. C-1. 36 MRSA §5126, first ¶**, as amended by PL 2001, c. 583, §16, is further amended to read:

~~For income tax years beginning on or after January 1, 1998 but before January 1, 1999, a resident individual is allowed \$2,400 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2000 but before January 1, 2008, a resident individual is allowed \$2,850 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For tax years beginning on or after January 1, 2008, a resident individual is allowed the same amount allowed under Section 151 of the Code for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return.~~

## PART D

**Sec. D-1. 36 MRSA §5111, first ¶**, as amended by PL 1999, c. 731, Pt. T, §1, is further amended to read:

~~A tax is imposed for each taxable year beginning on or after January 1, 2000, on the Maine taxable income of every resident individual of this State. The amount of the tax is determined as provided in this section, except that the rates provided in this section for tax years beginning on or after January 1, 2008 must be adjusted as provided by section 5111-C.~~

**Sec. D-2. 36 MRSA §5111-C** is enacted to read:

### **§ 5111-C. Reductions in individual income tax rates**

**1. Rate reduction in 2008.** For tax years beginning in 2008, the 8.5% tax rates contained in section 5111, subsections 1-B, 2-B and 3-B are reduced to 8.25%.

**2. Materials.** The State Tax Assessor shall incorporate the changes arising from this section into the forms, instructions and withholding tables for the appropriate tax years.

## PART E

**Sec. E-1. 36 MRSA §683, sub-§3**, as amended by PL 2005, c. 2, Pt. F, §3 and affected by §5, is further amended to read:

**3. Effect on state valuation.** ~~Fifty percent of the~~The just value of homesteads exempt under this subchapter must be included in the annual determination of state valuation under sections 208 and 305.

**Sec. E-2. 36 MRSA §683, sub-§4**, as amended by PL 2005, c. 2, Pt. F, §3 and affected by §5, is further amended to read:

**4. Property tax rate.** ~~Fifty percent of the~~The value of homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. The municipal tax rate as finally determined may be applied to only the taxable portion of each homestead qualified for that tax year.

**Sec. E-3. 36 MRSA §685, sub-§2,** as amended by PL 2005, c. 2, Pt. F, §4 and affected by §5, is further amended to read:

**2. Entitlement to reimbursement by the State; calculation.** A municipality that has approved homestead exemptions under this subchapter may recover from the State ~~50%~~100% of the taxes lost by reason of the exemptions upon proof in a form satisfactory to the bureau. The bureau shall reimburse the Unorganized Territory Education and Services Fund for ~~50%~~100% of taxes lost by reason of the exemption.

**Sec. E-4. Application.** This Part applies to property tax valuations determined on or after April 1, 2008.

## PART F

**Sec. F-1. 36 MRSA §6201, sub-§1,** as amended by PL 2005, c. 2, Pt. E, §1 and affected by §§7 and 8, is further amended to read:

**1. Benefit base.** "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. The benefit base may not exceed \$3,000 for single-member households and ~~\$4,000 for households with 2 or more members~~\$5,000.

**Sec. F-2. 36 MRSA §6207, sub-§1, ¶A-1,** as amended by PL 2005, c. 2, Pt. E, §4 and affected by §§7 and 8, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of ~~\$2,000~~\$3,000.

**Sec. F-3. Application.** This Part applies to applications for benefits filed on or after August 1, 2008.

## PART G

**Sec. G-1. 36 MRSA §1752, sub-§1-H** is enacted to read:

**1-H. Amusement and recreational services.** "Amusement and recreational services" means:

A. All services provided by health clubs, fitness clubs, athletic clubs and personal fitness trainers and coaches, other than the sale of meals and the rental of living quarters;

- B. Admission to fairs, including state fairs, county fairs, agricultural fairs and book fairs;
- C. Admission to sporting events, including horse races;
- D. Admission to exhibition shows that are open to the general public, including flower and garden shows, animal shows, auto shows and watercraft shows;
- E. Admission to motion pictures, concerts, plays, musicals, ballets, operas, comedy shows, puppet shows, magic shows, carnivals, circuses and theatrical productions;
- F. Admission to dance halls, amusement parks, theme parks, miniature golf courses, snow parks and water parks;
- G. All services, including lessons, provided by flight centers, marinas, golf courses, driving ranges, shooting ranges, alpine ski areas, cross-country ski touring centers, ice skating rinks, roller skating rinks, dance halls and centers, bowling centers, swimming pools, racetracks, billiard parlors, riding stables, whitewater rafting centers and recreational athletic facilities of any kind, other than the sale of meals and the rental of living quarters;
- H. Services provided by, and the charging of fees for admission to or membership in, commercial recreational membership organizations, including health and fitness clubs, golf clubs, tennis clubs and country clubs, whether payable by annual fee or otherwise;
- I. Admission to privately owned and operated museums, planetariums, historical sites, zoological parks, zoological gardens, wild animal parks, petting zoos, botanical gardens and aquariums; and
- J. Airplane, helicopter, balloon, dirigible, blimp, watercraft, railroad, bus and wagon rides for amusement or sightseeing purposes.

**Sec. G-2. 36 MRSA §1752, sub-§3-B,** as amended by PL 1999, c. 698, §1 and affected by §3, is further amended to read:

**3-B. Grocery staples.** "Grocery staples" means food products ordinarily consumed for human nourishment.

"Grocery staples" does not include spirituous, malt or vinous liquors; soft drinks, iced tea, sodas or beverages such as are ordinarily dispensed at bars or soda fountains or in connection with bars or soda fountains; medicines, tonics, vitamins and preparations in liquid, powdered, granular, tablet, capsule, lozenge or pill form, sold as dietary supplements or adjuncts, except when sold on the prescription of a physician; water, including mineral bottled and carbonated waters and ice; dietary substitutes; candy and confections; snack food; and prepared food.

**Sec. G-3. 36 MRSA §1752, sub-§8-C** is enacted to read:

**8-C. Personal property services.** "Personal property services" means the alteration, cleaning, installation, repair, rental, moving, restoration, storage, appraisal and maintenance of personal property, including motor vehicles, watercraft, snowmobiles, all-terrain vehicles, appliances, bicycles,

jewelry, cameras, timepieces, firearms, musical instruments, electronic and electrical goods, clothing, footwear, leather goods, furniture, rugs and carpets. "Personal property services" includes, but is not limited to:

- A. The upholstering and reupholstering of furniture;
- B. Same-day courier and delivery services;
- C. The rental of moorings, slips and docks, but only for noncommercial watercraft;
- D. Dry cleaning, laundry and clothing storage services;
- E. Photograph restoration and photographic film development;
- F. Art restoration and conservation; and
- G. Picture framing.

"Personal property services" does not include the rental of items subject to a tax under chapter 358 or the interstate moving of furniture and other household goods.

**Sec. G-4. 36 MRSA §1752, sub-§8-D** is enacted to read:

**8-D. Personal services.** "Personal services" means:

- A. All services provided by tanning salons, tattoo parlors, massage therapists and massage parlors;
- B. Ear and body piercing services;
- C. Dance instruction;
- D. Driving instruction;
- E. Escort, dating and social introduction services;
- F. Flower, balloon and singing telegram delivery services;
- G. Pet grooming and boarding services;
- H. Rental of storage lockers and other self-storage space;
- I. Laundry and diaper services;
- J. Catering services; and
- K. Home grocery delivery service and other home delivery services.

**Sec. G-5. 36 MRSA §1752, sub-§9-E** is enacted to read:

**9-E. Real property services.** "Real property services" means the following services when provided with regard to real property:

- A. Interior painting, wallpapering, decorating and designing;
- B. Property cleaning and organizing;
- C. Disinfection and pest extermination or control services;
- D. Locksmithing, alarm and security services;
- E. Swimming pool installation, repair, cleaning and maintenance;
- F. Waste management and remediation services;
- G. Rug and carpet installation, cleaning and repair;
- H. Floor maintenance, including sanding, polishing, waxing and coating;
- I. Chimney sweeping and cleaning services; and
- J. Hot tub installation, repair, cleaning and maintenance.

**Sec. G-6. 36 MRSA §1752, sub-§11, ¶A,** as amended by PL 2005, c. 218, §14, is further amended to read:

A. "Retail sale" includes: conditional sales, installment lease sales and any other transfer of tangible personal property when the title is retained as security for the payment of the purchase price and is intended to be transferred later.

~~(1) Conditional sales, installment lease sales and any other transfer of tangible personal property when the title is retained as security for the payment of the purchase price and is intended to be transferred later; and~~

~~(2) Sale of products for internal human consumption to a person for resale through vending machines when sold to a person more than 50% of whose gross receipts from the retail sale of tangible personal property are derived from sales through vending machines. The tax must be paid by the retailer to the State.~~

**Sec. G-7. 36 MRSA §1752, sub-§11, ¶B,** as amended by PL 2005, c. 218, §15, is further amended to read:

B. "Retail sale" does not include:

(1) Any casual sale;

(2) Any sale by a personal representative in the settlement of an estate, unless the sale is made through a retailer, or unless the sale is made in the continuation or operation of a business;

(3) The sale, to a person engaged in the business of renting automobiles, of automobiles, integral parts of automobiles or accessories to automobiles, for rental or for use in an automobile rented on a short-term basis;

(4) The sale, to a person engaged in the business of renting video media and video equipment, of video media or video equipment for rental;

(5) The sale, to a person engaged in the business of renting or leasing automobiles, of automobiles for rental or lease for one year or more;

(6) The sale, to a person engaged in the business of providing cable or satellite television services, of associated equipment for rental or lease to subscribers in conjunction with a sale of extended cable or extended satellite television or radio services; or

(7) The sale, to a person engaged in the business of renting furniture, or audio media and audio equipment, of furniture, audio media or audio equipment for rental pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105.

**Sec. G-8. 36 MRSA §1752, sub-§14, ¶B,** as amended by PL 2005, c. 675, §1 and affected by §2, is further amended to read:

B. "Sale price" does not include:

(1) Discounts allowed and taken on sales;

(2) Allowances in cash or by credit made upon the return of merchandise pursuant to warranty;

(3) The price of property returned by customers, when the full price is refunded either in cash or by credit;

(4) The price received for labor or services used in installing or applying or repairing the property sold, if separately charged or stated unless the labor or services are taxable services as defined in subsection 17-B;

(5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically stated service charge, when that amount is to be disbursed by a hotel, motel, restaurant or other eating establishment to its employees as wages;

- (6) The amount of any tax imposed by the United States on or with respect to retail sales, whether imposed upon the retailer or the consumer, except any manufacturers', importers', alcohol or tobacco excise tax;
- (7) The cost of transportation from the retailer's place of business or other point from which shipment is made directly to the purchaser, ~~provided that~~ if those charges are separately stated and the transportation occurs by means of common carrier, contract carrier or the United States mail;
- (8) The fee imposed by Title 10, section 1169, subsection 11;
- (9) The fee imposed by section 4832, subsection 1;
- (10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection 2-B; or
- (11) Any amount charged or collected by a person engaged in the rental of living quarters as a forfeited room deposit or cancellation fee if the prospective occupant of the living quarters cancels the reservation on or before the scheduled date of arrival.

**Sec. G-9. 36 MRSA §1752, sub-§14-F** is enacted to read:

**14-F. Snack food.** "Snack food" means any item that is ordinarily sold for consumption without further preparation or that requires no preparation other than combining the item with a liquid; that may be stored unopened without refrigeration, except that ice cream, ice milk, frozen yogurt and sherbert are snack foods; and that is not generally considered a major component of a well-balanced meal. "Snack food" includes, but is not limited to, corn chips, potato chips, processed fruit snacks, fruit rolls, fruit bars, popped popcorn, pork rinds, pretzels, cheese sticks, cheese puffs, granola bars, breakfast bars, bread sticks, roasted nuts, doughnuts, cookies, crackers, pastries, toaster pastries, croissants, cakes, pies, ice cream cones, marshmallows, marshmallow creme, soft drinks, ice cream sauces, ready-to-eat puddings, beef jerky, meat bars and dips.

**Sec. G-10. 36 MRSA §1752, sub-§14-G** is enacted to read:

**14-G. Soft drinks.** "Soft drinks" means nonalcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" does not include beverages that contain milk or milk products; soy, rice or similar milk substitutes; or more than 50% vegetable or fruit juice by volume.

**Sec. G-11. 36 MRSA §1752, sub-§17-B,** as enacted by PL 2003, c. 673, Pt. V, §19 and affected by §29, is repealed and the following enacted in its place:

**17-B. Taxable service.** "Taxable service" means:

A. Rental of living quarters in a hotel, rooming house or tourist or trailer camp;

- B. Transmission and distribution of electricity;
- C. Rental or lease of an automobile;
- D. Sale of prepaid calling service;
- E. Amusement and recreational services;
- F. Personal services;
- G. Personal property services;
- H. Real property services;
- I. Lawn and landscaping services, including tree trimming and removal;
- J. Taxi and limousine services; and
- K. Safe deposit box rental.

**Sec. G-12. 36 MRSA §1760, sub-§4,** as amended by PL 1967, c. 89, is repealed.

**Sec. G-13. 36 MRSA §1760, sub-§12-A,** as amended by PL 1995, c. 634, §1 and affected by §2, is repealed.

**Sec. G-14. 36 MRSA §1760, sub-§20,** as amended by PL 1991, c. 546, §20, is further amended to read:

**20. Continuous residence; refunds and credits.** Rental charged to any person who resides continuously for ~~28~~100 days at any one hotel, rooming house,~~or~~ tourist or trailer camp if:

- A. The person does not maintain a primary residence at some other location; or
- B. The person is residing away from that person's primary residence in connection with employment or education.

Tax paid by such person to the retailer under section 1812 during the initial ~~28-day~~100-day period must be refunded by the retailer. Such tax reported and paid to the State by the retailer may be taken as a credit by the retailer on the report filed by the retailer covering the month in which refund was made to such tenant.

~~This subsection applies to all rentals of any hotel, rooming house or tourist or trailer camp for occupancy on or after July 1, 1991 regardless of the date on which payment for the rental is made.~~

**Sec. G-15. 36 MRSA §1760, sub-§34,** as amended by PL 2005, c. 218, §23, is repealed.

**Sec. G-16. 36 MRSA §1760, sub-§52,** as enacted by PL 1985, c. 737, Pt. A, §96, is repealed.

**Sec. G-17. 36 MRSA §1812, sub-§1, ¶E** is enacted to read:

- E. If the tax rate is 8%:

<u>Amount of Sale Price</u>	<u>Amount of Tax</u>
<u>\$0.01 to \$0.06, inclusive</u>	<u>0¢</u>
<u>.07 to .18, inclusive</u>	<u>1¢</u>
<u>.19 to .30, inclusive</u>	<u>2¢</u>
<u>.31 to .43, inclusive</u>	<u>3¢</u>
<u>.44 to .55, inclusive</u>	<u>4¢</u>
<u>.56 to .68, inclusive</u>	<u>5¢</u>
<u>.69 to .80, inclusive</u>	<u>6¢</u>
<u>.81 to .93, inclusive</u>	<u>7¢</u>
<u>.94 to 1.00, inclusive</u>	<u>8¢</u>

**Sec. G-18. 36 MRSA §1812, sub-§1, ¶F** is enacted to read:

F. If the tax rate is 15%:

<u>Amount of Sale Price</u>	<u>Amount of Tax</u>
<u>\$0.01 to \$0.03, inclusive</u>	<u>0¢</u>
<u>.04 to .09, inclusive</u>	<u>1¢</u>
<u>.10 to .16, inclusive</u>	<u>2¢</u>
<u>.17 to .22, inclusive</u>	<u>3¢</u>
<u>.23 to .29, inclusive</u>	<u>4¢</u>
<u>.30 to .36, inclusive</u>	<u>5¢</u>
<u>.37 to .42, inclusive</u>	<u>6¢</u>
<u>.43 to .49, inclusive</u>	<u>7¢</u>
<u>.50 to .56, inclusive</u>	<u>8¢</u>
<u>.57 to .62, inclusive</u>	<u>9¢</u>
<u>.63 to .69, inclusive</u>	<u>10¢</u>
<u>.70 to .76, inclusive</u>	<u>11¢</u>
<u>.77 to .82, inclusive</u>	<u>12¢</u>
<u>.83 to .89, inclusive</u>	<u>13¢</u>
<u>.90 to .96, inclusive</u>	<u>14¢</u>
<u>.97 to 1.00, inclusive</u>	<u>15¢</u>

**Sec. G-19. 36 MRSA §2015, sub-§2, ¶B**, as enacted by PL 1993, c. 701, §8 and affected by §10, is amended to read:

B. ~~Three-tenths~~Two-tenths of the amount of tax paid to the State by the taxpayer resulting from the tax on the rental of automobiles for a period of less than one year during the most recently completed period from July 1st to June 30th.

**Sec. G-20. 36 MRSA §2551, sub-§2**, as amended by PL 2005, c. 12, Pt. TTT, §2 and affected by §4, is further amended to read:

**2. Cable and satellite television or radio services.** ~~"Extended cable~~Cable and satellite television or radio services" means all cable and satellite television or radio service ~~that is in addition to the minimum service that can be purchased from a cable or satellite television supplier,~~ including the use of associated equipment for which a charge is made. It does not include installation of the associated equipment for which a separate charge is levied.

**Sec. G-21. 36 MRSA §2551, sub-§20,** as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is amended to read:

**20. Telecommunications services.** "Telecommunications services" means all telecommunications services as described in this subsection.

A. "Telecommunications services" includes:

(1) The provision of 2-way interactive communications through the use of telecommunications equipment, exclusive of mobile telecommunications services; ~~and~~

(2) Two-way interactive mobile telecommunications services provided by a home service provider to a customer whose place of primary use is within this State, to the extent those services are associated with transmissions that originate and terminate within this State or within any other state. For purposes of this paragraph, the term "state" includes the District of Columbia and any territory or possession of the United States.; ~~and~~

(3) Directory advertising services.

B. "Telecommunications services" does not include:

(1) Except as otherwise provided by this subsection, service originating or terminating outside this State;

(2) Access services;

~~(3) Directory advertising services;~~

(4) The sale of unbundled network elements for use in the provision of telecommunications services;

(5) The lease of telecommunications equipment;

(6) Prepaid calling service; or

(7) Mobile telecommunications services provided by a home service provider to a customer whose place of primary use is not within this State.

**Sec. G-22. 36 MRSA §2552, sub-§1, ¶A,** as amended by PL 2005, c. 12, Pt. TTT, §3 and affected by §4, is further amended to read:

A. ~~Extended-cable~~Cable and satellite television or radio services;

**Sec. G-23. Application.** That section of this Part that amends the Maine Revised Statutes, Title 36, section 1760, subsection 20 applies to all rentals of any hotel, rooming house or tourist or trailer camp for occupancy on or after January 1, 2008, regardless of the date on which payment for the rental is made.

**Sec. G-24. Effective date.** This Part takes effect January 1, 2008.

## PART H

**Sec. H-1. 5 MRSA §13090-K, sub-§2,** as enacted by PL 2001, c. 439, Pt. UUUU, §1, is amended to read:

**2. Source of fund.** Beginning July 1, 2003 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%8%~~ tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811; for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%8%~~ tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811; for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

**Sec. H-2. 36 MRSA §1811, first ¶,** as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is ~~7%8%~~ on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; ~~7%8%~~ on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; ~~10%15%~~ on the value of rental for a period of less than one year of an automobile; ~~7%8%~~ on the value of prepared food; and 5% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

**Sec. H-3. Effective date.** This Part takes effect January 1, 2008.

## PART I

**Sec. I-1. 28-A MRSA §1652, sub-§1,** as repealed and replaced by PL 1987, c. 342, §116, is amended to read:

**1. Excise tax on malt liquor.** An excise tax is imposed on the privilege of manufacturing and selling malt liquor in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~25¢~~60¢ per gallon on all malt liquor sold in the State.

**Sec. I-2. 28-A MRSA §1652, sub-§2,** as amended by PL 1997, c. 767, §4, is further amended to read:

**2. Excise tax on wine; hard cider.** An excise tax is imposed on the privilege of manufacturing and selling wine in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~30¢~~\$1 per gallon on all wine ~~other than~~and sparkling wine manufactured in or imported into the State, ~~\$1 per gallon on all sparkling wine manufactured in or imported into the State and~~ ~~25¢~~\$1 per gallon on all hard cider manufactured in or imported into the State.

**Sec. I-3. Effective date.** This Part takes effect January 1, 2008.

## PART J

**Sec. J-1. 36 MRSA c. 723** is enacted to read:

### CHAPTER 723

### SOFT DRINK AND SYRUP TAX

#### § 4951. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

**1. Bottle.** "Bottle" means any closed or sealed glass, metal, paper or plastic container or any other type of container regardless of the size or shape of the container.

**2. Bottled soft drink.** "Bottled soft drink" means any ready-to-consume soft drink contained in a bottle.

**3. Distributor, manufacturer or wholesale dealer.** "Distributor, manufacturer or wholesale dealer" means any person who receives, stores, manufactures, bottles or sells bottled soft drinks, syrup, simple syrup or powder or base products for mixing, compounding or making soft drinks for sale to retailers or other manufacturers, wholesale dealers or distributors for resale purposes.

**4. Milk.** "Milk" means natural liquid milk regardless of animal source or butterfat content; natural milk concentrate, whether or not reconstituted, regardless of animal source or butterfat content; or dehydrated natural milk, whether or not reconstituted.

**5. Natural fruit juice.** "Natural fruit juice" means the original liquid resulting from the pressing of fruit, the liquid resulting from the reconstitution of fruit juice concentrate or the liquid resulting from the restoration of water to dehydrated fruit juice.

**6. Natural vegetable juice.** "Natural vegetable juice" means the original liquid resulting from the pressing of vegetables, the liquid resulting from the reconstitution of vegetable juice concentrate or the liquid resulting from the restoration of water to dehydrated vegetable juice.

**7. Nonalcoholic beverage.** "Nonalcoholic beverage" means any beverage not subject to tax under Title 28-A, Part 4.

**8. Place of business.** "Place of business" means any place where soft drinks, syrups, simple syrups or powder or base products are manufactured or any place where bottled soft drinks, syrup, simple syrup, powder or base product or any other item taxed under this chapter is received.

**9. Powder or base product.** "Powder or base product" means a solid mixture of basic ingredients used in making, mixing or compounding soft drinks by mixing the powder or other base with water, ice, syrup, simple syrup, fruits, vegetables, fruit juice, vegetable juice or any other product suitable to make a soft drink.

**10. Retailer.** "Retailer" means any person, other than a distributor, manufacturer or wholesale dealer, who receives, stores, mixes, compounds or manufactures any soft drink and sells or otherwise dispenses the soft drink to the ultimate consumer.

**11. Sale.** "Sale" means the transfer of title or possession for a valuable consideration of tangible personal property regardless of the manner by which the transfer is accomplished.

**12. Simple syrup.** "Simple syrup" means a mixture of sugar and water.

**13. Soft drink.** "Soft drink" means any nonalcoholic beverage, whether naturally or artificially flavored, whether carbonated or noncarbonated, sold for human consumption, including, but not limited to, soda water, cola and other flavored drinks, any fruit or vegetable drink containing 10% or less of natural fruit juice or natural vegetable juice and all other drinks and beverages commonly referred to as soft drinks, but not including coffee or tea unless the coffee or tea is bottled as a liquid for sale.

**14. Syrup.** "Syrup" means the liquid mixture of basic ingredients used in making, mixing or compounding soft drinks by mixing the syrup with water, simple syrup, ice, fruits, vegetables, fruit juice, vegetable juice or any other product suitable to make a soft drink.

## **§ 4952. Tax rate**

**1. Tax imposed.** There is imposed a tax on every distributor, manufacturer or wholesale dealer to be calculated as follows:

A. Four dollars per gallon of syrup or simple syrup sold or offered for sale in the State;

B. Forty-two cents per gallon of bottled soft drinks sold or offered for sale in the State; and

C. When a package or container of powder or base product is sold or offered for sale in the State, the tax on the sale of each package or container is equal to 42¢ for each gallon of soft drink that may be produced from each package or container by following the manufacturer's instructions. This tax applies when the powder or base product is sold to a retailer for sale to the ultimate consumer after the soft drink is produced by the retailer.

**2. Purchase from unlicensed seller.** A retailer who purchases bottled soft drinks, syrup, simple syrup or powder or base product from an unlicensed distributor, manufacturer or wholesale dealer is liable for the tax imposed in subsection 1.

### **§ 4953. Exemptions**

The following are exempt from the tax imposed by section 4952:

**1. Sales to Federal Government.** Syrups, simple syrups, powder or base products or soft drinks sold to the Federal Government;

**2. Products exported from State.** Syrups, simple syrups, powder or base products or soft drinks exported from the State by a distributor, manufacturer or wholesale dealer;

**3. Coffee or tea base.** Any powder or base product used in preparing coffee or tea;

**4. Juice or vegetable concentrate.** Any frozen, freeze-dried or other concentrate to which only water is added to produce a nonalcoholic beverage containing more than 10% natural fruit juice or natural vegetable juice;

**5. Fruit or vegetable juice.** Any nonalcoholic beverage containing more than 10% natural fruit juice or natural vegetable juice;

**6. Sales to another distributor, manufacturer or wholesale dealer.** Syrups, simple syrups, powder or base products or soft drinks sold by a distributor, manufacturer or wholesale dealer to a distributor, manufacturer or wholesale dealer who holds a license under section 4955 if the license number of the distributor, manufacturer or wholesale dealer to whom the syrups, simple syrups, powder or base products or soft drinks are sold is clearly shown on the invoice for the sale that is claimed to be exempt. This exemption does not apply to any sale to a retailer;

**7. Infant formula.** Any product, whether sold in liquid or powder form, that is intended by its manufacturer for consumption by infants and that is commonly referred to as infant formula;

**8. Water.** Water to which no flavoring, whether artificial or natural, has been added and that has not been artificially carbonated;

**9. Dietary aids.** Any product, whether sold in liquid or powder form, that is intended by its manufacturer for use as a dietary supplement or for weight reduction;

**10. Consumer mix.** Any powder or base product that is intended by its manufacturer to be sold and used for the purpose of domestically mixing soft drinks by the ultimate consumer; and

**11. Milk products.** Any product containing milk or milk products.

### **§ 4954. Reports**

A distributor, manufacturer or wholesale dealer or any retailer subject to the tax imposed by this chapter shall file a monthly return with the assessor and pay the tax on or before the 15th day of the month following the month in which the sale or purchase was made. The return must be made on a form prescribed by the assessor. The return must contain any information the assessor requires for the proper administration of this chapter. When a retailer is also acting as a distributor, manufacturer or wholesale dealer, the duty to report and pay the tax imposed by this chapter arises when the property is transferred to a retail store for sale to the ultimate consumer, as reflected by the records of the taxpayer.

### **§ 4955. Licenses**

**1. Distributor, manufacturer or wholesale dealer.** Any distributor, manufacturer or wholesale dealer who sells or offers for sale to retailers within the State syrups, simple syrups, powder or base products or soft drinks shall obtain from the bureau a license for the privilege of conducting such business within the State.

**2. Retailer.** Any retailer who purchases syrups, simple syrups, powder or base products or soft drinks from a distributor, manufacturer or wholesale dealer not licensed under subsection 1 shall obtain a license from the bureau for the privilege of conducting such business.

**3. Location; display.** Any person required to obtain a license under this section shall obtain a license for each place of business owned or operated by that person. The license must be conspicuously displayed at the place of business for which it was issued.

### **§ 4956. Penalties**

**1. Failure to file, pay.** A person required to file a return and pay tax under this chapter is subject to the same penalties as for failure to file and pay sales tax under Part 3.

**2. Failure to obtain license.** A person required to obtain a license under section 4955 who fails to do so is subject to the same penalties as for failure to register as a retailer under section 1754-B.

### **§ 4957. Rules**

The assessor may adopt rules under the Maine Administrative Procedure Act to provide for the administration of this chapter. These rules may provide for a fee to cover the cost of issuing licenses required under section 4955. Rules adopted under this section are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

**Sec. J-2. Effective date.** This Part takes effect January 1, 2008.

## PART K

**Sec. K-1. 36 MRSA §4641-A, sub-§1**, as enacted by PL 2001, c. 559, Pt. I, §3 and affected by §15, is repealed.

**Sec. K-2. 36 MRSA §4641-A, sub-§1-A** is enacted to read:

**1-A. Deeds.** A tax is imposed on the grantor and the grantee with regard to each deed by which any real property in this State is transferred. The rate of tax that applies to each grantee and grantor of the real property is:

A. For property valued at less than \$100,000, \$1 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred;

B. For property valued at \$100,000 or more but less than \$200,000, \$2 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred;

C. For property valued at \$200,000 or more but less than \$300,000, \$3 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred;

D. For property valued at \$300,000 or more but less than \$500,000, \$4 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred;

E. For property valued at \$500,000 or more but less than \$750,000, \$5 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred;

F. For property valued at \$750,000 or more but less than \$1,000,000, \$6 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred; and

G. For property valued at \$1,000,000 or more, \$7 for each \$1,000 or fractional part of \$1,000 of the value of the property transferred.

**Sec. K-3. 36 MRSA §4641-A, sub-§2, ¶A**, as enacted by PL 2001, c. 559, Pt. I, §3 and affected by §15, is repealed and the following enacted in its place:

A. The rates of tax on a transferor and a transferee are the same as specified under subsection 1-A for a grantor and a grantee, respectively.

**Sec. K-4. 36 MRSA §4641-A, sub-§2, ¶B**, as enacted by PL 2001, c. 559, Pt. I, §3 and affected by §15, is amended to read:

B. The tax is imposed 1/2 on the transferor and 1/2 on the transferee, but if the transfer or acquisition is not reported to the register of deeds in the county or counties in which the property is located and the tax is not paid within 30 days of the completion of the transfer or acquisition, the transferor and the transferee are jointly and severally liable for the full amount both payments under subsection 2, paragraph A.

**Sec. K-5. 36 MRSA §4641-B, sub-§4**, as amended by PL 2005, c. 644, §4, is further amended to read:

**4. Distribution of State's share of proceeds.** The State Tax Assessor shall pay all net receipts received pursuant to this section to the Treasurer of State; and shall at the same time provide the Treasurer of State with documentation showing the amount of revenues derived from the tax imposed by section 4641-A, subsection ~~1-A~~ and the amount of revenues derived from the tax imposed by section 4641-A, subsection 2. The Treasurer of State shall credit ~~1/265%~~ of the revenues derived from the tax imposed by section 4641-A, subsection ~~1-A~~ to the General Fund and shall monthly pay the remaining ~~1/235%~~ of such revenues to the Maine State Housing Authority, which shall deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A, section 4853, ~~except that in fiscal year 2003-04, fiscal year 2004-05 and fiscal year 2005-06, \$7,500,000 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority and in fiscal year 2006-07, \$7,687,067 of the remaining 1/2 of those revenues must be transferred to the General Fund before any payments are made to the Maine State Housing Authority.~~ The Treasurer of State shall credit to the General Fund all of the revenues derived from the tax imposed by section 4641-A, subsection 2.

## SUMMARY

This bill makes major changes to Maine's tax structure beginning January 1, 2008.

Part A increases the low-income tax credit under the income tax by increasing the threshold of taxable income below which no taxes are due from \$2,000 to \$4,000 for single individuals and married persons filing separately, \$6,000 for persons filing as heads of households and \$8,000 for persons filing married joint returns.

Part B conforms the standard deduction under the income tax to the federal standard deduction beginning with the 2008 tax year, thereby eliminating the marriage penalty.

Part C conforms the personal exemption under the income tax to the same amount as the federal personal exemption.

Part D lowers the top income tax rate from 8.5% to 8.25% for the 2008 tax year.

Part E increases state reimbursement for the homestead exemption to 100% of municipal property taxes lost as a result of the exemption beginning in 2008.

Part F increases the maximum benefit under the Maine Residents Property Tax program from \$2,000 to \$3,000 and increases to \$5,000 the maximum amount of property tax that may be used to calculate benefits.

Part G expands the tax base under the sales tax by repealing sales tax exemptions for packaging materials, ships' stores, railroad track materials and certain short-term rentals and by extending the sales tax to amusements, personal services, personal property services, home care services, real property services, lawn and landscaping services, taxi, limousine and same day courier services, telephone directory advertising and safe deposit box rental. This Part also reinstates the sales tax on snack foods

and extends the service provider tax to basic cable and satellite television and radio service and to consumer interstate telephone calls.

Part H increases the sales tax on meals and lodging, liquor serviced at licensed establishments and prepared food from 7% to 8% and increases the sales tax on short-term rentals of automobiles from 10% to 15%.

Part I increases the excise tax on malt liquor from 25¢ per gallon to 60¢ per gallon, on wine from 30¢ per gallon to \$1 per gallon and on hard cider from 25¢ per gallon to \$1 per gallon.

Part J establishes a tax on the distribution, manufacture and wholesale of soft drinks and soft drink products.

Part K changes the rate structure for the real estate transfer tax to provide that a transferor of the property must pay a transfer tax starting at \$1 per \$1,000 of value of the property for property valued at less than \$100,000, increasing to \$7 per \$1,000 of value for real estate with a value exceeding \$1,000,000. The revenue from the portion of the tax received to the State and attributable to transfers by deed tax is credited 65% to the General Fund and 35% to the Housing Opportunities for Maine Fund.